

AR49

SAN JUDAS CORPORATION LIMITED
MOLYBDENUM

Annual Report / 1969

SAN JUDAS **MOLYBDENUM** CORPORATION LIMITED

Directors

JACQUES ANGERS, Rouyn, Quebec
D. WENDELL FENTRESS, Chicago, Ill.
MURDOCK C. MOSHER, Toronto, Ontario
NEWTON TURCOT, Glenview, Ill.
MURRAY WATTS, Toronto, Ontario

Officers

MURRAY WATTS, President
MURDOCK C. MOSHER, Vice-President
G. A. LOADER, Secretary-Treasurer

Registrar and Transfer Agent

GUARANTY TRUST COMPANY OF CANADA
Toronto, Ontario

Auditors

FULLER JENKS LANDAU & CO.
Toronto, Ontario

Solicitors

DAY, WILSON, CAMPBELL
Toronto, Ontario

Head Office

Suite 420, 159 Bay Street, Toronto, Ontario

TO THE SHAREHOLDERS:

This second annual report of your company, which includes financial statements for the fiscal year ended December 31, 1969, is an opportunity to review the very encouraging progress attained during the year, and to date, at the molybdenum property east of Cumpas, state of Sonora in Mexico.

The property, acquired by Compania Minera de Hermosillo, S.A. in which your company owns 49% interest, covers 136 acres with deposits carrying molybdenum and copper. Limited production has been carried out, in the period 1965-68 when high grade molybdenum ore was mined for custom milling.

Last year, following your company's initial diamond drilling program which had outlined an orebody of about 250,000 tons grading 1.0% Mo, it was agreed to undertake a program of underground development in order to check the molybdenum grade and tonnage. To April of 1970, a total of 1640 feet of development work was completed on two levels.

As a result of this work, your directors are pleased to report that the grade has been largely confirmed and the tonnage of mineable material increased, giving strong encouragement to proceed with planning to place the property into production.

Ore reserves, now reported by the company's consultants, Watts, Griffis & McOuat Limited,

indicate 355,000 tons grading 0.99% Mo and 0.25% copper per ton, based on diamond drilling from surface and from channel and bulk sampling from two adit levels.

While the underground development-sampling program was being carried out, the permanent mine plant was erected, most of the mine machinery and equipment for exploration of the ore-body purchased, and a serviced town site with housing for mine employees completed. A new unimproved road from mine to the Cumpas-Hermosillo highway was constructed, and improvements made to the company airstrip.

Test work on the metallurgy was continued with satisfactory results, giving indication that a concentrate grade of better than 55% Mo (91.7% Mo S₂) and less than 0.40% copper can be made, with Mo recovery at 88%. One further series of tests is to be done, in order to provide the data to decrease the copper in the molybdenite concentrate.

To this spring, San Judas has spent \$1.4 million on the property, including claims purchase; the recent development cost of \$600,000 is part of this total. It is estimated that a further \$850,000 is now required to bring the mine into production. This amount would cover a mill capable of treating 300 tons per day, road improvements, hauling equipment, mine equipment and some

additional development, supplies and working capital.

Your management is proceeding with negotiations to obtain the financing necessary to bring the mine to operating status. It is expected these arrangements will be satisfactorily completed soon.

Cash flow estimates have been prepared by the company's consultants, based on information supplied by San Judas staff. The total cash flow, determined by the presently-indicated orebody and a price of US \$1.72 per pound Mo, is estimated at \$4,988,000 available to Compania Minera de Hermosillo. After repayment of the San Judas investment by the Mexican company, the 49% return available to your company would amount to \$1,406,000 after withholding tax.

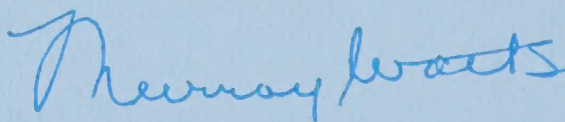
It should be emphasized that these calculations do not take into account a number of tax easements or benefits which may be obtained by your company. Nor do they allow for added returns that would result from increased reserves and concentrates sales, since in defining the ore boundaries the consultants have used a conservative approach and report that there are reasonable chances for extensions of the ore below the depths interpreted.

Other plus factors, not included in the cash flow projections, are that no allowance is made

for the possible production and sale of copper concentrates and no value is given for the rhodium content of the molybdenum concentrates.

Your directors are pleased with the progress on the property and acknowledge the loyal and continuing efforts of the manager, Mr. John M. Bracken, B.Sc., P.Eng., and his staff. As work advances during this preproduction period, shareholders will be advised of significant developments.

On behalf of the board,

A handwritten signature in blue ink, reading "Murray Watts". The signature is fluid and cursive, with the first name "Murray" and last name "Watts" clearly distinguishable.

Murray Watts,
President

Toronto, Ontario
June 10, 1970

SAN JUDAS **MOLYBDENUM** CORPORATION LIMITED

Incorporated under the laws of the Province of Ontario

BALANCE SHEET DECEMBER 31, 1969

(With 1968 figures for comparison)

Presented in U.S. Dollars

ASSETS

	1969	1968
CURRENT		
Cash in bank	\$ 25,304	\$ 29,178
Bank deposit certificate	150,926	—
Accounts receivable	1,659	5,416
	<u>177,889</u>	<u>34,594</u>
INVESTMENTS — at cost (Note 4)		
Compania Minera de Hermosillo, S.A.		
— 98 Class B shares	550,000	550,000
— Advances and recoverable expenses	754,126	307,492
	<u>1,304,126</u>	<u>857,492</u>
ORGANIZATION EXPENSE	3,917	3,917
	<u>\$1,485,932</u>	<u>\$896,003</u>

AUDITOR'S REPORT

The Shareholders,
San Judas Molybdenum Corporation Limited.

We have examined the Balance Sheet of San Judas Molybdenum Corporation Limited as at December 31, 1969 and the Statements of Operations, Deficit and Source and Application of Funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, when read with the attached notes, these financial statements present fairly the financial position of the company as at December 31, 1969 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 31, 1970

FULLER JENKS LANDAU & CO.,
Chartered Accountants.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 17,579	\$ 37,239
Balance of purchase price of shares of Compania Minera de Hermosillo, S.A.	—	255,000
	<u>17,579</u>	<u>292,239</u>
DEFERRED LIABILITIES (Note 3)		
Debentures payable — secured	455,500	429,759
Debenture interest accrued	47,929	16,044
	<u>503,429</u>	<u>445,803</u>
Total Liabilities	<u>521,008</u>	<u>738,042</u>
CAPITAL STOCK — (Notes 5 and 6)		
Authorized		
5,000,000 shares without par value		
Issued and fully paid		
2,393,005 shares for cash	1,072,528	250,005
150,000 shares for services	24,000	24,000
2,543,005 shares	<u>1,096,528</u>	<u>274,005</u>
DEFICIT — See statement	131,604	116,044
Total Shareholders' Equity	<u>964,924</u>	<u>157,961</u>
	<u>\$1,485,932</u>	<u>\$896,003</u>

Approved on behalf of the Board:

MURRAY WATTS, Director

MURDOCK MOSHER, Director

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1969

(With 1968 figures for comparison)

Presented in U.S. Dollars

	<u>1969</u>	<u>1968</u>
SOURCE OF FUNDS		
Sale of capital stock	\$ 822,523	—
Sale of debentures	25,741	—
Interest earned on deposit receipt	16,325	—
	<u>864,589</u>	<u>NIL</u>
APPLICATION OF FUNDS		
Increase in advances to Compania Minera de Hermosillo, S.A.	446,634	27,507
Increase or (decrease) in working capital	417,955	(27,507)
Working capital or (deficiency) – beginning of period		
(1969 – January 1, 1968 – September 1)	(257,645)	(230,138)
Working capital or (deficiency) – December 31	<u>\$ 160,310</u>	<u>\$ (257,645)</u>
REPRESENTED BY:		
Current assets	\$ 177,889	\$ 34,594
Current liabilities	17,579	292,239
Working capital or (deficiency)	<u>\$ 160,310</u>	<u>\$ (257,645)</u>

STATEMENT OF DEFICIT

For the year ended December 31, 1969

(With 1968 figures for comparison)

Presented in U.S. Dollars

	<u>1969</u>	<u>1968</u>
Balance at beginning of period		
(1969 – January 1, 1968 – September 1)	\$116,044	\$106,017
Add: Debenture interest expense	31,885	10,027
	<u>147,929</u>	<u>116,044</u>
Less: Interest earned on deposit certificate	16,325	—
Balance – December 31	<u>\$131,604</u>	<u>\$116,044</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 1969

1. All amounts reported in the accompanying financial statements are declared in U.S. funds. Funds have been converted as follows: \$1.08 Cdn. = \$1. U.S., 12.5 Mexican Pesos = \$1. U.S.
2. Pursuant to a resolution of the Board of Directors, the company's year-end was changed from August 31 to December 31, effective December 31, 1968. As a result, comparative figures for 1968 cover the period from September 1 to December 31 only.
3. Debentures payable bear interest at 7% per annum calculated from the date of issue of the individual notes.

The due date of the debenture principal and interest as at December 31, 1969 was the earlier of two years following the date of the completion of a mill for the processing of molybdenum ore on the property of the Compania Minera de Hermosillo, S. A. or June 18, 1971. At a meeting of the debenture holders subsequent to the balance sheet date, a resolution was passed postponing the due date to the earlier of two years following the completion of a mill or June 18, 1973.

Until February 17, 1969 each debenture holder was entitled to purchase one fully paid and non-assessable share of the company's unissued capital stock at 15¢ U.S. per share for each \$1. U.S. advanced on the debentures. All rights have been exercised, resulting in the issue of 445,500 shares to the debenture holders for \$68,325 U.S.

The debentures are secured by a first fixed charge on the 98 Class B shares of the Hermosillo company and a floating charge on the other assets of San Judas.

The total authorized debentures that may be issued are not to exceed \$470,000 U.S.

4. Under the terms of an agreement dated March 29, 1968, it was agreed between the company and Compania Minera de Hermosillo, S. A. that the cash flow generated from the production and sale of ores and concentrates from the properties owned by the Hermosillo company are subject to a first obligation or charge in favour of San Judas in an amount equal to the funds advanced by San Judas for exploration and development and for the purchase of the shares of the Hermosillo company. Such cash flow over and above amounts required for the normal operation of the Hermosillo company shall be first charged in favour of San Judas and paid to San Judas on a monthly basis as soon as practicable.

The 98 Class B shares of the Hermosillo company represent 49% of the issued capital stock of that company.

5. Capital stock has been issued during 1969 as follows:
for cash — 830,500 shares \$822,523 U.S.
6. The company has not paid any remuneration to its Directors and/or Senior Officers since its incorporation

other than the issue of 150,000 shares of its capital stock to Mr. Murray Watts, the company's President. This was done pursuant to the terms of an agreement dated April 7, 1967, whereby Mr. Watts assigned to the company all rights, title and interest in agreements constituting the original option on shares of the capital stock of the Hermosillo company.

7. Pursuant to a Directors' meeting of March 24, 1970, incentive options were granted to certain employees of the company to purchase its capital stock as follows:
Management — at 45¢ per share

Murray Watts	—6,000 shares, exercisable for a period of one year from March 24, 1970.
Newton Turcot	—4,500 shares, exercisable for a period of one year from March 24, 1970.
D. Wendell Fentress	—4,500 shares, exercisable for a period of one year from March 24, 1970.
Hipolito Gerard	—7,500 shares exercisable as to 2,500 shares in each of the calendar years 1970, 1971 and 1972.
Employees	
John Bracken	—15,000 shares at \$1.50 per share, exercisable from March 24, 1970 for as long as he is an employee of the company or March 24, 1972 at the latest.

8. The major components of the advances and recoverable expenses to the Hermosillo company are as follows:

	December 31 1969	December 31 1968
Exploration and development		
Mine building	\$ 16,825	\$ —
Equipment	179,806	6,339
Labour	81,292	37,911
General mining exploration and development costs ...	289,662	126,065
	<u>567,585</u>	<u>170,315</u>
Head office administration		
Legal and audit	75,943	65,659
Rent and administration costs ..	44,978	36,645
Travel	23,470	23,470
General expenses	42,150	11,403
	<u>186,541</u>	<u>137,177</u>
Total advances and recoverable expenses ...	<u>\$754,126</u>	<u>\$307,492</u>

SAN JUDAS MOLYBDENUM CORPORATION LIMITED

Annual Report / 1969
